

Steve Westly California State Controller



Contact:

Lisa Casalegno or Stacey Ragland
(916) 445-2636

FOR IMMEDIATE RELEASE

WESTLY CALLS FOR INCREASED DISCLOSURE AND TRANSPARENCY FOR HEDGE FUNDS

Sacramento, May 12, 2003 – State Controller Steve Westly today called on the federal Securities and Exchange Commission to provide reasonable safeguards for the rapidly growing and largely unregulated hedge fund industry.

“The proliferation and increasing availability of hedge funds in recent years raises important questions about the stability of pension funds and potential costs to taxpayers,” Westly said, noting that CalPERS already invests in hedge funds and CalSTRS has begun evaluating them. “The SEC should step in and look out for the public interest.”

Westly said he supports requiring increased disclosure for hedge funds. “I support more disclosure, transparency and accountability for the hedge fund industry – not handcuffing the investment managers. The hedge fund industry is becoming a more important part of the investment landscape, and we need to make sure that we protect pension funds and individual investors.”

Hedge funds are privately organized investment vehicles designed to execute a specific investment strategy, often involving large bets on specific price movements. Financial experts estimate that there are now 6,000 to 7,000 hedge funds, worth a combined \$600 billion. Unlike mutual funds, the funds are now largely unregulated, but the SEC is holding hearings on how best to provide reasonable safeguards this week as part of a year-long investigation into hedge funds fraud and potential conflicts of interest. “We need to make sure that we protect pension funds and individual hedge funds investors from the types of corporate scandals that have rocked Wall Street,” Westly said.

As California State Controller, Steve Westly serves on the boards of CalPERS and CalSTRS.

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